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INFO RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION PRIORITY
RUEHFK/AMCONSUL FUKUOKA PRIORITY 2423
RUEHNAG/AMCONSUL NAGOYA PRIORITY 0252
RUEHNH/AMCONSUL NAHA PRIORITY 4767
RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 6210
RUEHKS/AMCONSUL SAPPORO PRIORITY 2974
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEHGV/USMISSION GENEVA PRIORITY 3477
RUEAUSA/DEPT OF HHS WASHINGTON DC PRIORITY
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC PRIORITY

UNCLAS SECTION 01 OF 02 TOKYO 000346

SENSITIVE
SIPDIS

DEPT FOR G/AIAG, EEB, AND EAP/J
HHS FOR OGHA

E.O. 12958: N/A
TAGS: [ETRD](#) [EINV](#) [KFLU](#) [TBIO](#) [KSTH](#) [JA](#)
SUBJECT: PANASONIC CONFIRMS PLANS TO REPATRIATE STAFF
FAMILIES, BUT SEES NO IMMINENT PANDEMIC THREAT

REF: PATTERSON-WOLF EMAILS

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Sensitive But Unclassified. Contains Proprietary Information.

¶1. (SBU) Summary: Panasonic says pandemic preparedness and risk management are behind its decision to repatriate dependents of employees working in many emerging countries. However, the company concedes there is no imminent pandemic threat. With no particular guidance from the GOJ or other authorities to repatriate citizens, some speculate Panasonic's decision is driven by business concerns. Panasonic faces significant pressure to restructure and cut costs in the midst of a major electronics industry downturn and the ongoing acquisition of rival Sanyo. End Summary.

¶2. (SBU) In conversations with Emboffs, representatives from electronics giant Panasonic's Osaka headquarters confirmed recent media reports the company plans to repatriate dependents of Japanese employees working in several emerging countries as part of the company's pandemic action plan. While they have made no official announcement Panasonic reps outlined the company's plans in an interview to local media published February 9.

¶3. (SBU) Panasonic officials we spoke with conceded they have no specific information on any immediate pandemic threat, and that this decision was not made in reaction to such a threat. They maintained, however, the company wants to manage its risk profile and sees the repatriation of families as lowering risk and consistent with the company's internal pandemic action plan. Contrary to one press report, company officials said the decision was made independently without consultation with industry groups or the GOJ. Post also contacted the Ministry of Economy, Trade, and Industry (METI) and the Japan Electronics IT Industry Association (JEITA) and they have no information about pandemic or other health threats and have not made any public statements on the subject. Foreign Ministry consular officials had no comment on Panasonic's actions, but said the GOJ has not encouraged any evacuation or repatriation of Japanese citizens overseas. Ministry of Health, Labor, and Welfare (MHLW) officials said neither Panasonic nor other companies have approached them for pandemic preparedness guidance.

¶4. (SBU) Panasonic reps downplayed media speculation the company's decision is a cover for cost-cutting measures. One rep asserted sending family members home to live separately is more expensive for the company than if they reside overseas with a Panasonic employee. A contact who has studied pandemic preparedness efforts by Japanese industry said several smaller Japanese companies have brought home overseas dependents for what were reportedly pandemic planning reasons. He noted a recent push by Japanese industry to incorporate better risk management practices may be affecting decisions regarding overseas operations, but acknowledged it is difficult to separate risk management from more general business decisions. He added Panasonic's size and influence could prompt other large firms to consider similar actions.

¶5. (SBU) In separate conversations, industry analysts have told us Japan's electronics industry is burdened by over-capacity and badly needs to consolidate. Panasonic's December 2008 announcement it would acquire Sanyo Electric represented a step in this direction. Japan's Nikkei newspaper noted Panasonic's restructuring charges were the largest in the industry and it reported Panasonic will close 20 percent of its factories in order to cut costs roughly 1 billion dollars per year.

¶6. (U) The Panasonic Group announced its JFY 3rd quarter financial results February 4 against a backdrop of an industry in turmoil. Panasonic's consolidated sales were down 20 percent and the company reported net losses of roughly 650 million dollars for the quarter. Panasonic is now projecting a loss for the fiscal year in excess of 4 billion dollars. The Group also reported restructuring expenses of 3.8 billion dollars due to integration or closure

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of operating sites, losses on fixed assets, and expenses from employment structural reforms.
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